Final Draft

Initiative #22
Funding for Public Schools

Amendment ? proposes amending the Colorado Constitution and the Colorado Statutes to change how the state funds public preschool through twelfth grade (P-12) education by raising taxes to increase the amount of money available, changing how the state distributes funding to school districts, and requiring that a fixed percentage of revenue from certain state taxes be annually set aside for schools. Specifically, the measure:

- ♦ raises the state individual income tax rate from 4.63 percent to 5.0 percent on the first $75,000 of taxable income and to 5.9 percent on any taxable income over $75,000 and deposits the additional tax revenue in a separate fund to pay for public education;
- ♦ implements legislation passed by the state legislature creating a new formula for allocating state and local funding to school districts;
- ♦ repeals the constitutional requirement that base per pupil funding for public education increase by at least the rate of inflation annually; and
- ♦ requires that at least 43 percent of state income, sales, and excise tax revenue, collected at existing tax rates, be set aside annually to pay for public education.

Summary and Analysis

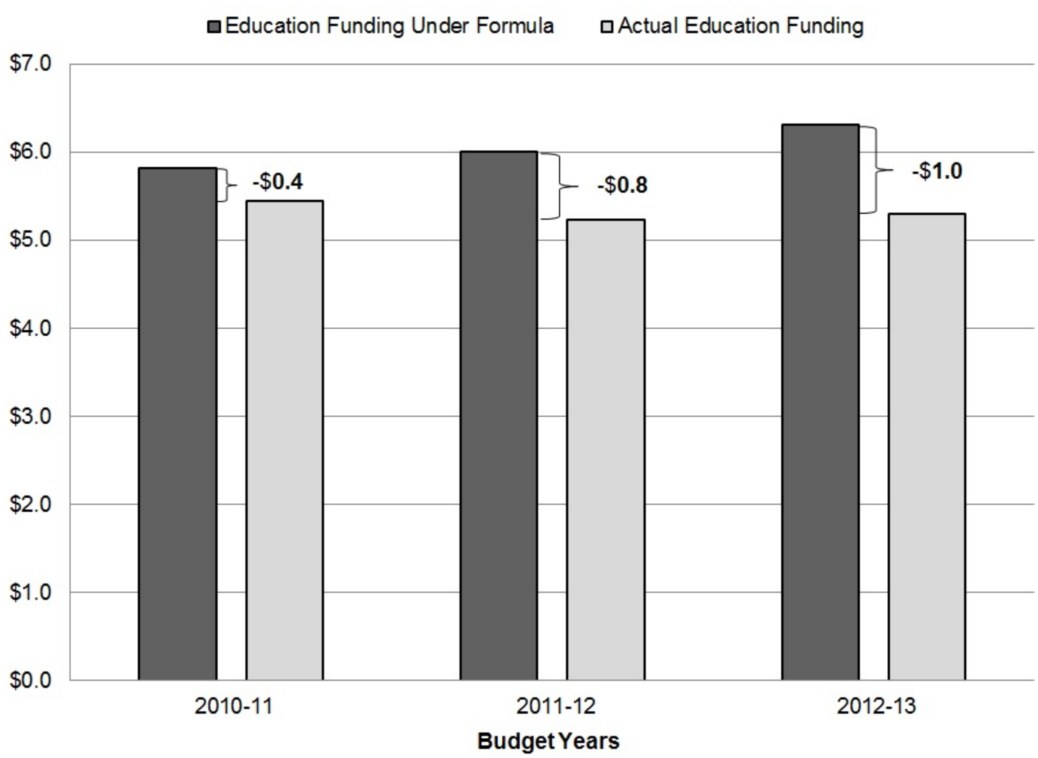
***Who pays for P-12 public education*?** In budget year 2012-13, about $5.5 billion of P-12 public education funding was paid from state and local taxes on individuals and businesses, including state income and sales tax and local property and vehicle ownership tax. Almost all of this revenue is allocated to school districts through a formula in state law. The rest provides state assistance for other programs, such as transportation and special education. Additionally, districts received about $2.6 billion in operating revenue outside the funding formula. This includes federal funding for all districts and fees assessed by all districts. It also includes local revenue that was approved by voters in 114 of 178 districts.

Formula funding for each school district begins with the same amount of funding per student, known as base per pupil funding. The base funding amount is then adjusted upward for each school district, depending on particular district characteristics, to determine a final per pupil funding amount. These characteristics include the total number of students, the local community's cost of living, and the percentage of students from lower-income households.

Currently, the state constitution requires that the base funding amount increase every year by at least inflation. The constitution also specifies that the State Education Fund receive about 7.2 percent of all income tax revenue to support the annual increase in base per pupil funding.

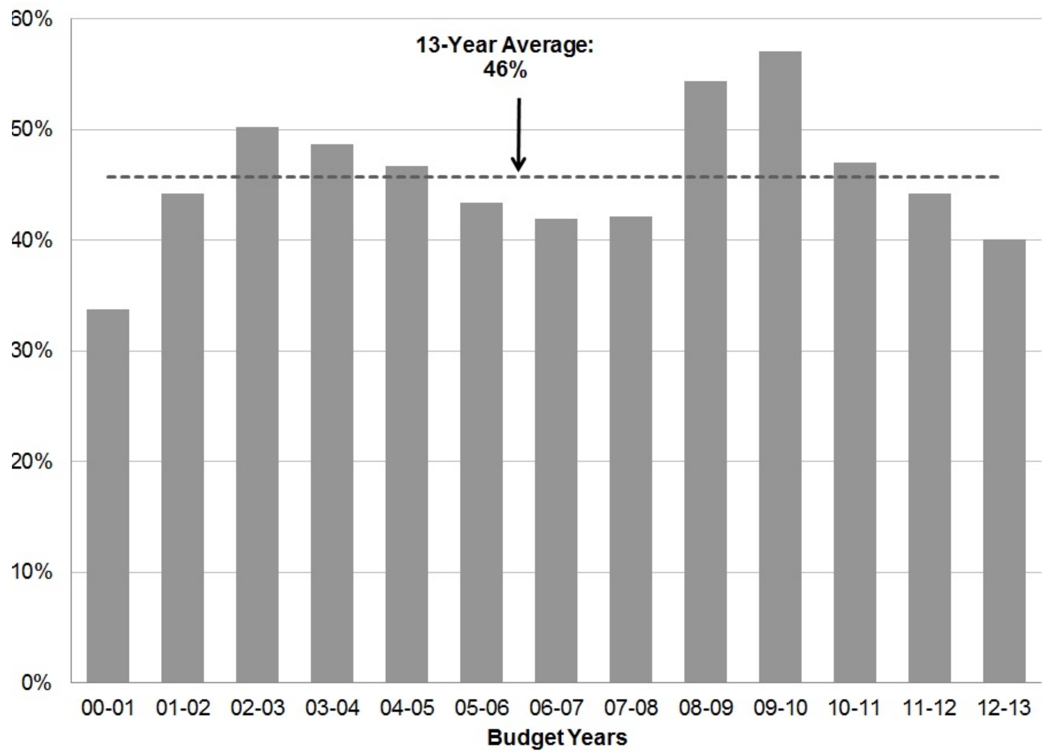
The recent recession reduced the amount of state and local tax revenue available for P-12 public education funding. In each of the past three budget years, the decline in state revenue caused the legislature to reduce the amount of state money going to school districts below what would have been required by the funding formula. Figure 1 compares formula funding before this legislative change with actual funding for each of the last three budget years. For example, in budget year 2012-13, actual funding was $1.0 billion below what the funding formula would have required.

Figure 1. Formula Funding Compared to Actual Funding
Budget Years 2010-11 through 2012-13
(in Billions)



Education in the state budget. P-12 public education funding is the largest piece of the state's operating budget. Since budget year 2000-01, the share of state income, sales, and excise tax revenue spent on P-12 public education has ranged from 34 to 57 percent, and averaged 46 percent. In the last budget year, this share was 40 percent. Figure 2 displays P-12 public education funding as a percent of total state income, sales, and excise tax revenue for budget years 2000-01 through 2012-13, and the overall average during this period.

Figure 2. Share of State Income, Sales, and Excise Tax Revenue Dedicated to Total P-12 Public Education Budget Years 2000-01 to 2012-13



Amendment ? establishes a minimum level of education funding. The measure requires that at least 43 percent of state income, sales, and excise tax revenue, collected at existing tax rates, be annually deposited in the State Education Fund to be used on education-related spending. This effectively establishes a constitutional minimum funding level for education that is slightly less than the average share that has been spent on P-12 public education over the last 13 years (see Figure 2), but is an increase from the portion allocated in the 2012-13 budget year. The measure also removes the existing constitutional requirement that the base per pupil amount increase annually by at least inflation, and eliminates the transfer of about 7.2 percent of income tax revenue to the State Education Fund.

Amendment ? increases taxes to provide additional revenue for public education. The measure increases the state individual income tax rate to create new revenue for P-12 public education. Currently, Colorado taxpayers pay a flat individual income tax rate of 4.63 percent on Colorado taxable income. In 1987, the state moved from a graduated income tax structure to a single tax rate of 5.0 percent. The rate was reduced to 4.63 percent in 2000. While the measure does not affect the state corporate income tax rate, small businesses that choose to report their business income on individual income tax returns will also see their state income taxes increase.

Final Draft

Beginning in tax year 2014, Amendment ? establishes a two-tiered income tax rate. Individual income tax rates will increase from 4.63 percent to 5.0 percent on the first $75,000 of state taxable income, and to 5.9 percent on any taxable income above the $75,000 threshold. The state legislature may adjust this income threshold annually by inflation.

Imposition of this two-tiered tax rate is estimated to increase individual income tax revenue to the state by $950 million in budget year 2014-15, the first full year of implementation. This new revenue must be placed in the State Educational Achievement Fund created by this measure, and may only be used to fund P-12 public education. The new revenue is exempt from state and school district spending limitations contained in the state constitution.

The two-tiered tax rate structure will have different impacts on taxpayers, depending on their household income. Table 1 shows the estimated change in the yearly state income tax liability for four representative households with different income levels. Under the new structure, an estimated 68 percent of households in Colorado will see their individual income taxes increase by 8 percent, while the remaining 32 percent will see greater increases.

Table 1. State Individual Income Tax Increases for Representative Households under Amendment ?

	Gross Income*	Colorado Taxable Income**	Current Law State Income Tax Liability	Amendment ? State Income Tax Liability	Amount of Annual Increase	Percent Annual Increase
Household A	$50,000	$26,300	$1,218	$1,315	$97	8%
Household B	$100,000	$65,600	$3,037	$3,280	$243	8%
Household C	$150,000	$109,900	$5,088	$5,809	$721	14%
Household D	$200,000	$154,000	$7,130	$8,411	$1,281	18%

* *In 2011, Colorado's median gross household income was $55,000.*

** *Taxable income totals for individual households may vary from the averages displayed in Table 1.*

Amendment ? triggers a new funding formula in Senate Bill 13-213. Amendment ? replaces the current statutory formula used to allocate state and local funding to school districts. Amendment ? triggers implementation of Senate Bill 13-213, enacted during the 2013 legislative session and signed by the Governor. The bill's new allocation formula also begins with a base per pupil amount, but it changes how the base is adjusted. It places more emphasis on students who are at risk of academic failure, defined as students eligible for free- or reduced-price lunch through the federal School Lunch Program, or who are English language learners.

The bill also increases funding for kindergarten and preschool students, and allocates a portion of state P-12 education funding to help implement recent educational reforms passed by the state legislature. It also changes the way that school districts calculate student enrollment. Under current law, student enrollment is based on a count that occurs once during a specified period in October. Under Senate Bill 13-213, starting in the 2017-18 school year, student funding will be based on average daily enrollment throughout the school year.

The bill provides school principals with more control over how money will be spent in their schools. This is intended to help students who are deemed to be at risk of academic failure achieve academic targets. The bill also requires a periodic study of the increases in academic achievement resulting from the additional funding and a public, school-specific accounting of administrative and teacher expenses.

For information on those issue committees that support or oppose the measures on the ballot at the November 5, 2013, election, go to the Colorado Secretary of State's elections center website hyperlink for ballot and initiative information:

www.sos.state.co.us/pubs/elections/Initiatives/InitiativesHome.html

Arguments For

1) One of government's most important functions is to provide children with a high-quality education. To improve schools, the state needs a long-term solution that is innovative, accountable for results, and transparent to taxpayers. The additional money provided in this measure allows local boards of education to target areas where research suggests that investments are likely to produce improved student outcomes, such as ensuring effective teachers are in the classroom, reducing class sizes, investing in preschool and full-day kindergarten, upgrading classroom technology, and giving principals and teachers more control over budgeting decisions in their schools.

2) Investing in public education is the best way to ensure a strong Colorado economy capable of competing in today's global market. One of the top priorities of businesses seeking a new location is identifying a well-educated workforce. Since budget year 2008-09, the state legislature has severely cut P-12 funding, with funding for the 2012-13 school year $1.0 billion below what the funding formula would have required. Restoring this funding shortfall not only benefits the state's schools and communities, but also provides a positive signal to companies looking to relocate or to expand in Colorado.

3) The measure simultaneously restores funding to public schools that have suffered severe budget cuts and provides taxpayers with needed accountability by measuring how the increased investment will affect student achievement. The state will be required to prepare a return on investment study and a cost study to identify

funding deficits that affect the performance of school districts and the academic achievement of students. The state will also make detailed expenditure data for each school and district available to the general public, allowing for comparisons between schools.

Arguments Against

1) Amendment ? is a $950 million tax increase that may impede economic expansion at a time when the state's economy is still recovering. Increasing state income taxes reduces the money that households have to spend or save. As a result, consumer spending and overall economic activity may also decline, negatively impacting the competitiveness of Colorado businesses. The state currently has adequate financial resources to implement Senate Bill 13-213 for the next year without a tax increase. The legislature set aside $1.1 billion in budget year 2012-13 and an estimated $290 million in budget year 2013-14 for P-12 public education. These recent set-asides are indicative of an expanding economy that may permit adequate investment in P-12 public education without additional tax revenue.

2) This measure imposes an additional tax burden on state taxpayers without any guarantee of increased academic achievement. Senate Bill 13-213 makes incremental changes to the school funding allocation formula without providing significant educational reform. This approach lacks real accountability as the new funding formula does not reward schools or districts that show gains in student achievement. Amendment ? leaves in place an outmoded system of delivering education that has not shown significant measurable improvements for students on state assessments.

3) Under the measure, taxpayers in some school districts will pay more in new taxes than these districts will receive in new revenue. All individuals will see a state income tax increase of at least 8.0 percent to implement the new P-12 education formula, and some will see substantially higher percentage increases. At the same time, under Senate Bill 13-213, 37 of 178 school districts will see increases in funding of less than 8.0 percent. Thus, the measure maintains a funding structure that uses tax revenue from some districts in order to subsidize P-12 education in other districts.

Estimate of Fiscal Impact

State revenue and spending. Amendment ? is expected to increase state tax revenue by $452 million in budget year 2013-14, $950 million in budget year 2014-15 (the first full year with increased tax revenue), and $1.0 billion in budget year 2015-16. The amendment requires that all new revenue from the tax increase be used to fund P-12 public education.

Impact on taxpayers. The amendment increases individual income tax rates. Income tax rates for individual taxpayers will increase from 4.63 percent to 5.0 percent on the first $75,000 of state taxable income, and to 5.9 percent on state taxable income above the $75,000 threshold. The state legislature may adjust this income threshold annually by inflation.

This two-tiered tax rate structure will have different impacts on individual taxpayers, depending on their taxable income levels, as shown in Table 1. For instructions on estimating your household's anticipated tax changes under Amendment ?, please visit the online tax calculator at: www.colorado.gov/lcs/taxestimator.

State Spending and Tax Increases

The state constitution requires that the following fiscal information be provided when a tax increase question is on the ballot:

1) the estimated or actual state spending under the constitutional spending limit for the current year and each of the past four years with the overall percentage and dollar change; and
2) for the first full year of the proposed tax increase, an estimate of the maximum dollar amount of the tax increase and of state fiscal year spending without the increase.

Table 2 shows the dollar amount of state spending under the constitutional spending limit.

Table 2. State Spending

	Actual FY 2009-10*	Actual FY 2010-11	Actual FY 2011-12	Estimated FY 2012-13	Estimated FY 2013-14
State Spending	$8.57 billion	$9.43 billion	$10.27 billion	$11.12 billion	$11.50 billion
Four-Year Dollar Change in State Spending: $2.93 billion					
Four-Year Percent Change in State Spending: 34.2 percent					

**FY = fiscal year. The state's fiscal (or budget) year runs from July through June.*

The numbers in Table 2 show state spending from 2010 through 2014 for programs that were subject to the constitutional spending limit during those years. However, the constitution allows a program that operates similarly to a private business to be exempt from the limit if it meets certain conditions. Because the exempt status of some programs has changed during the last five years, the numbers in Table 2 are not directly comparable to each other.

Final Draft

Table 3 shows the revenue expected from the increased income tax rate; state fiscal year spending without these taxes for FY 2014-15, the first full fiscal year for which the increase would be in place; and the sum of the two.

Table 3. Estimated State Fiscal Year Spending and the Proposed Tax Rate Increase

	FY 2014-15 Estimate
State Spending Without the New Taxes	$12.08 billion
Revenue from the New Income Taxes	$0.95 billion
State Spending Plus the New Taxes	$13.03 billion

Last Draft as Mailed to Interested Parties

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Funding for Public Schools

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Summary and Analysis

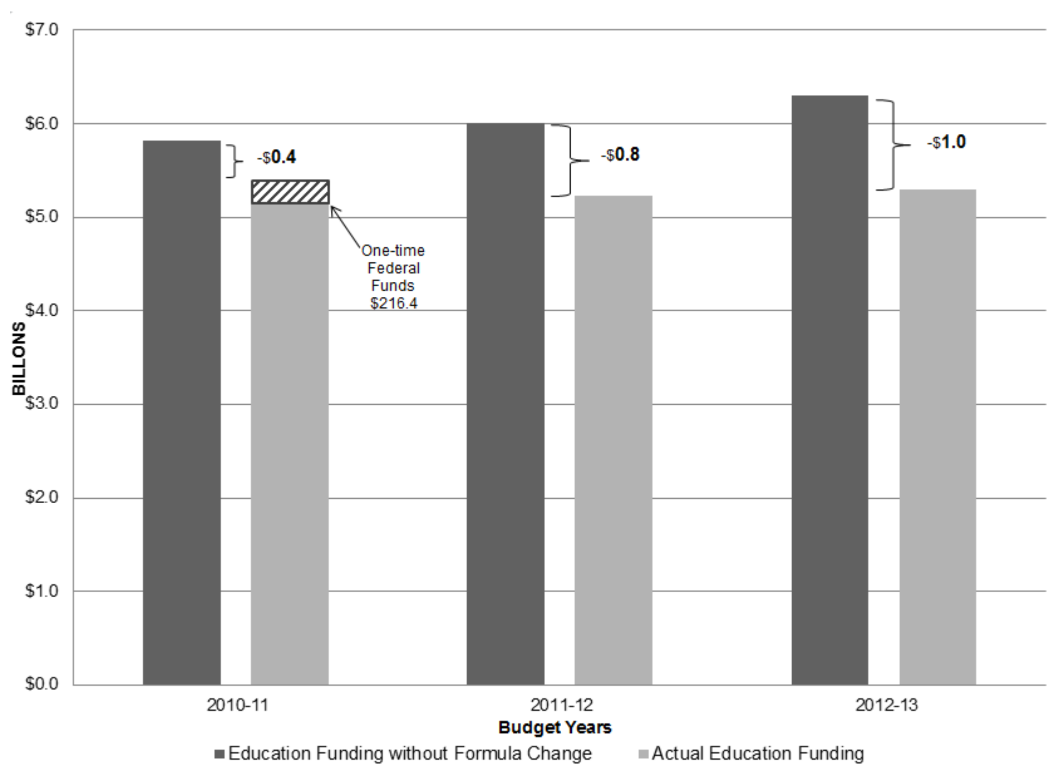
***Who pays for P-12 public education*?** In budget year 2012-13, about $5.5 billion of P-12 public education funding was paid from state and local taxes on individuals and businesses, including state income and sales tax and local property tax and vehicle ownership tax. Almost all of this revenue is allocated to school districts through a formula in state law. The rest provides state assistance for other programs, such as transportation and special education. Additionally, districts receive about $3.4 billion in revenue outside the funding formula, including local revenue raised by districts, federal moneys, private grants, and bond proceeds.

Formula funding for each school district begins with the same amount of funding per student, known as base per pupil funding. The base funding amount is then adjusted upward for each school district, depending on particular district characteristics, to determine a final per pupil funding amount. These characteristics include the total number of students, the local community's cost of living, and the percentage of students from lower-income households.

Currently, the state constitution requires that the base funding amount increase every year by at least inflation. The constitution also creates the State Education Fund and requires that about 7.2 percent of all income tax revenue be placed in this fund to support the annual increase in base per pupil funding.

The recent recession reduced the amount of state and local tax revenue available for P-12 public education funding. In each of the past three budget years, the decline in state revenue caused the legislature to reduce the amount of state money going to school districts below what would have been required by the funding formula. Figure 1 compares formula funding and actual funding for each of the last three years. For example, in budget year 2012-13, funding was reduced by about $1.0 billion. In budget year 2010-11, federal stimulus money replaced $216 million of state formula funding.

Figure 1. Formula Funding Compared to Actual Funding
Budget Years 2010-11 through 2012-13
(in Billions)



Education in the state budget. P-12 public education funding is the largest piece of the state's operating budget. Since budget year 2000-01, the share of state income, sales, and excise tax revenue spent on P-12 public education has ranged from 34 to 57 percent, and averaged 46 percent. In the last budget year, this share was 40 percent. Figure 2 displays P-12 public education funding as a percent of total state income, sales, and excise tax revenue for budget years 2000-01 through 2012-13, and the overall average during this period.

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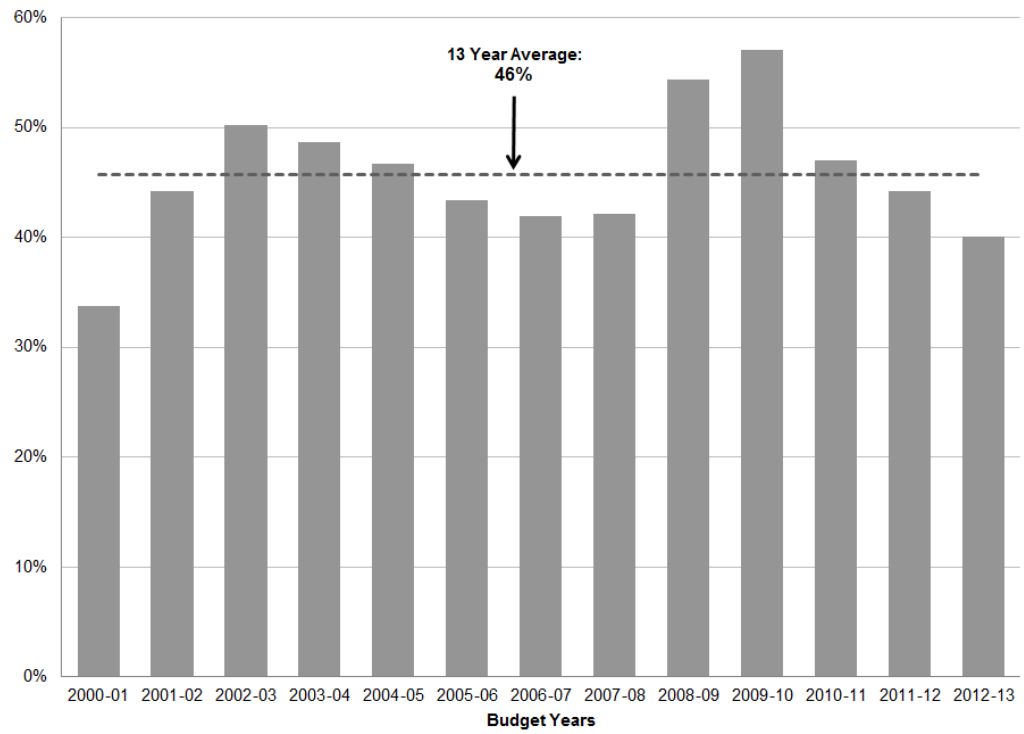

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Amendment ? increases taxes to provide additional revenue for public education. The measure increases the state individual income tax rate to create new revenue for P-12 public education. The measure does not affect the state corporate income tax rate. Currently, Colorado taxpayers pay a flat individual income tax rate of

4.63 percent. In 1987, the state moved from a graduated income tax structure to a single tax rate of 5.0 percent. This rate was reduced to 4.63 percent in 2000.

Beginning in tax year 2014, Amendment ? establishes a two-tiered income tax rate. Income tax rates will increase from 4.63 percent to 5.0 percent on the first $75,000 of state taxable income, and to 5.9 percent on any taxable income above the $75,000 threshold. The state legislature may adjust this income threshold annually by inflation.

Imposition of this two-tiered tax rate is estimated to increase individual income tax revenue to the state by $950 million in budget year 2014-15, the first full year of implementation. This new revenue must be placed in the State Educational Achievement Fund created by this measure, and may only be used to fund P-12 public education. The new revenue is exempt from state and school district spending limitations contained in the state constitution.

The two-tiered tax rate structure will have different impacts on taxpayers, depending on their household income. Table 1 shows the estimated change in the yearly state income tax liability for four representative households with different income levels. Under the new structure, an estimated 68 percent of households in Colorado will see their individual income taxes increase by 8 percent, while the remaining 32 percent will see increases at higher levels.

Table 1. State Individual Income Tax Increases for Representative Households under Amendment ?

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Amendment ? triggers a new funding formula in Senate Bill 13-213. Amendment ? replaces the current statutory formula used to allocate state and local funding to school districts. Amendment ? triggers implementation of Senate Bill 13-213, enacted during the 2013 legislative session and signed by the Governor. The bill's new allocation formula also begins with a base per pupil amount, but it changes how the base is adjusted. It places more emphasis on students who are at risk of academic failure, defined as students eligible for free- or reduced-price lunch through the federal School Lunch Program, or who are English language learners.

The bill also increases funding for kindergarten and preschool students, and allocates a portion of state P-12 education funding to help implement recent educational reforms passed by the state legislature. It also changes the way that school districts calculate student enrollment. Under current law, student enrollment is based on a count that occurs once during a specified period in October. Under Senate Bill 13-213, starting in the 2017-18 school year, student funding will be based on average daily enrollment throughout the school year.

The bill provides school principals with more control over how money will be spent in their schools. This is intended to help students who are deemed to be at risk of academic failure achieve academic targets. The bill also requires a periodic study of the increases in academic achievement resulting from the additional funding and a public, school-specific accounting of administrative and teacher expenses.

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Arguments For

1) Investing in public education is the best way to ensure a strong Colorado economy capable of competing in today's global market. One of the top priorities of businesses seeking a new location is identifying a well-educated workforce. Since budget year 2008-09, the state legislature has severely cut P-12 funding, with funding for the 2013-14 school year $1.0 billion below what it would have been without legislative changes to the formula. Restoring this funding shortfall not only benefits the state's schools and communities, but also provides a positive signal to companies looking to relocate or to expand in Colorado.

2) One of the most important functions of government is to provide a high-quality education for children. To improve schools, the state needs a long-term solution that is innovative in approach, accountable for outcomes, and that provides transparency to taxpayers. This measure targets areas where research suggests that investments are likely to produce improved student outcomes: putting the best teachers in the classroom, reducing class sizes, investing in preschool and full-day kindergarten, upgrading classroom technology, and giving principals and teachers more control over budgeting decisions in their schools.

3) The measure simultaneously restores funding to public schools that have suffered severe budget cuts and provides taxpayers with needed accountability by measuring how the increased investment will affect student achievement. The state will be required to prepare a return on investment study and a cost study to identify funding deficits that affect the performance of school districts and the academic achievement of students. The state will also make detailed expenditure data for each school and district available to the general public, allowing for budgetary comparisons between schools.

Arguments Against

1) Amendment ? is a $950 million tax increase that may impede economic expansion at a time when the state's economy is still recovering. Increasing state income taxes reduces the money that households have to spend or save. As a result, consumer spending and overall economic activity may also decline, negatively impacting the competitiveness of Colorado businesses. The state currently has adequate financial resources to implement Senate Bill 13-213 without a tax increase. The legislature set aside $1.1 billion and an estimated $290 million for P-12 public education in budget years 2012-13 and 2013-14, respectively. These recent set-asides are indicative of an expanding economy that may permit adequate investment in P-12 public education without additional tax revenue.

2) This measure imposes an additional tax burden on state taxpayers without any guarantee of increased academic achievement. Senate Bill 13-213 makes incremental changes to the school funding allocation formula without providing significant educational reform. Instead, the state could allocate money to school districts based on school choice and student achievement. Amendment ? leaves in place an outmoded system of delivering education that has proven increasingly costly without significant measurable improvements for students on state assessments.

3) This measure creates inequity in the funding of P-12 public education as taxpayers in some districts will pay more in new taxes than the district will receive in new revenue. All individuals will see a state income tax increase of at least 8.0 percent to implement the new P-12 education formula, and some will see substantially higher percentage increases. At the same time, under Senate Bill 13-213, 37 of 178 school districts will see increases in funding of less than 8.0 percent. Thus, the measure maintains a funding structure that uses tax revenue from some districts in order to subsidize P-12 education in other districts.

Estimate of Fiscal Impact

State revenue and spending. Amendment ? is expected to increase state tax revenue by $452 million in budget year 2013-14, $950 million in budget year 2014-15 (the first full year of implementation), and $1,013 million in budget year 2015-16. The amendment requires that all new revenue from the tax increase be used to fund P-12 public education.

Impact on taxpayers. The amendment increases individual income tax rates. Income tax rates for individual taxpayers will increase from 4.63 percent to 5.0 percent on the first $75,000 of state taxable income, and to 5.9 percent on state taxable income above the $75,000 threshold. The state legislature may adjust this income threshold annually by inflation.

This two-tiered tax rate structure will have different impacts on individual taxpayers, depending on their taxable income levels, as shown in Table 1. For instructions on estimating your household's anticipated tax changes under Amendment ?, please visit the online tax calculator at (web address to be provided).

State Spending and Tax Increases

The state constitution requires that the following fiscal information be provided when a tax increase question is on the ballot:

1) the estimated or actual state spending under the constitutional spending limit for the current year and each of the past four years with the overall percentage and dollar change; and
2) for the first full year of the proposed tax increase, an estimate of the maximum dollar amount of the tax increase and of state fiscal year spending without the increase.

Table 2 shows the dollar amount of state spending under the constitutional spending limit.

Table 2. State Spending

	Actual FY 2009-10*	Actual FY 2010-11	Actual FY 2011-12	Estimated FY 2012-13	Estimated FY 2013-14
State Spending	$8,568 million	$9,425 million	$10,273 million	$11,117 million	$11,501 million
Four-Year Dollar Change in State Spending: $2,934 million					
Four-Year Percent Change in State Spending: 34.2 percent					

**FY = fiscal year. The state's fiscal (or budget) year runs from July through June.*

The numbers in Table 2 show state spending from 2010 through 2014 for programs that were subject to the constitutional spending limit during those years. However, the constitution allows a program that operates similar to a private business to be exempt from the limit if it meets certain conditions. Because the exempt status of some programs has changed during the last five years, the numbers in Table 2 are not directly comparable to each other.

Table 3 shows the revenue expected from the increased income tax rate; state fiscal year spending without these taxes for FY 2014-15, the first full fiscal year for which the increase would be in place; and the sum of the two.

Table 3. Estimated State Fiscal Year Spending and the Proposed Tax Rate Increase

	FY 2014-15 Estimate
State Spending Without New Taxes	$12,084 million
Revenue from New Income Taxes	$950 million
State Spending Plus the New Taxes	$13,034 million

Last Draft Comments from Interested Parties

Initiative #22
Funding for Public Schools

Athena Dalton, representing the Senate Minority Office:

Thank you for the opportunity to weigh in on the latest draft.

In the second paragraph of Arguments For on page 5, the text states that the measure targets specific areas likely to improve student outcomes. While SB 213 does specifically direct revenues to preschool and full-day kindergarten, new technology projects, and building-level control over budgets, it does not specifically target class size reduction. Reductions in class sizes are not guaranteed to receive funding under this reform measure, but the wording of this paragraph implies that money will be specifically targeted to this purpose. Class size reduction should be deleted from the list of targeted reforms.

In the first paragraph of Arguments Against on page 6, the discussion of "set-asides" for P-12 education may not convey to a voter unfamiliar with the state's budget process that this money was set aside, unspent, in a reserve fund specifically for education *in addition to* the billions in regular annual spending on education. Additional clarification around the term "set aside" could improve voters' understanding of the state's ability to fund P-12 education.

Thanks for all your hard work on this,

Ben DeGrow, representing the Independence Institute:

Thank you for the opportunity to provide feedback. My comments are as follows:

1. **Pg 2, Lines 10-11:** Replace "reduced by about $1.0 billion" with the wording used in Argument For #1 (pg 5): "about $1.0 billion below what it would have been without legislative changes to the formula." I still think this clarifies the issue well.

2. **Pg 5, after Line 3:** Add sentence "School districts with a higher percentage of these students will receive more money per student." This key language was included in the 2nd Draft before being removed. This is an accurate representation of the At-Risk Factor and ELL Factor on pgs 29 & 30 of the enrolled version of SB 213.

3. **Pg 6, Argument Against #1, Lines 11 & 12:** Enhance the second sentence as follows: "Amendment ? unwisely increases state income taxes, reducing the money that households have to spend or save."

4. **Pg 6, Argument Against #2, Lines 23 & 24:** Remove the third sentence and replace with: "This approach lacks real accountability. No dollars in the new funding formula will be used to reward schools or districts that show gains in student achievement."

5**. Pg 6, Argument Against #3:**

a) Add word "substantially" to sentence 1. "…as taxpayers in some districts will pay ***substantially*** more in new taxes than the district will receive in new revenue." (In a

Ben DeGrow, representing the Independence Institute (Cont.):

few districts, I have estimated they will pay close to twice as much. Even if the estimates haven't been tested for validity, there can't be any factual dispute with characterizing the disparity as substantial in some cases.)

b) Please add at the end of the penultimate sentence: "…and 13 [smaller? Rural?] districts are estimated to lose dollars under the new proposal." Table 3B, Column L**

** http://www.colorado.gov/cs/Satellite?c=Document_C&childpagename=CGA-LegislativeCouncil%2FDocument_C%2FCLCAddLink&cid=1251642510060&pagename=CLCWrapper

Ken DeLay, representing the Colorado Association of School Boards:

Please see Attachment A.

Leanne Emm, representing the Colorado Department of Education:

My comments on the initiative blue book are as follows:

Page 3 - line 30 & 31 - "be annually dedicated to education-related spending". Comment: This makes it sound like the funds that are transferred to the State Education Fund each year from the 43% must also be spent each year. I do not believe this is the case - I think the intent is to "transfer" or deposit 43% of the revenue from taxes, etc., each year into the SEF, but there is no requirement that it actually be spent each year.

Suggested verbiage: ". . . be annually deposited into the State Education Fund to be used on education-related spending".

Page 5 - line 10 - change "enrollment" to "membership". We would be implementing an Average Daily Membership count system. The State Board will determine what constitutes enrollment.

Page 6 - line 7 - change "budgetary" to "expenditure". In SB213, there is a requirement to report expenditures at the school level - not budgets.

Page 6 - line 38 " (the first full year of implementation) " - this sounds like the SB213 will also be implemented in 2014-15. Suggested verbiage: " (the first full year of increased tax revenue) "

Thank you for the opportunity to review.

Last Draft Comments from Interested Parties

Curtis Hubbard, representing Colorado Commits to Kids:

COMMENTS ON BLUE BOOK 3rd DRAFT

Page 1, lines 7-10: the description for the new tax increments is much improved. We are suggesting a simpler and clearer way to describe. Section should be amended with NEW LANGUAGE as follows:

raises the state individual income tax rate from 4.63 percent to 5.0 percent **NEW LANGUAGE BEGIN for individuals with taxable income under $75,000. Individuals with taxable income of more than $75,000 would pay 5.0% on their first $75,000, and then 5.9% on any taxable income above that amount. END NEW LANGUAGE**

Page 1, lines 13-15: AMEND LANGUAGE
The proposed language clarifies that the initiative repeals the inflationary driver that is currently mandated under Amendment 23. The language as drafted could mislead voters that there no longer would be a set per pupil funding level going forward.

repeals the constitutional requirement that **NEW LANGUAGE BEGIN the rate of inflation determines the minimum annual increase in END NEW LANGUAGE** base per pupil funding for public education **~~increase by at least the rate of inflation annually~~**;

Page 1, at the end of line 18: ADD NEW LANGUAGE
The current list does not clearly identify the new revenue raised from the income tax increase. The “existing” qualifier on income tax rates in lines 16-18 is not sufficient to achieve this aim and without further information might mislead voters into thinking we are defunding public education. The new language seeks to clarifies this.

pay for public education. **NEW LANGUAGE BEGIN Accordingly, this 43% does not include the additional $950 million in income tax revenue that would be collected for public education. NEW LANGUAGE END.**

Page 1, line 27: We question the inclusion of the additional revenue sources as written. There are limitations on many of these revenues sources in how they can be used and their availability to districts. As drafted, it implies that district revenue from private grants is widespread, when in fact only a few districts have sizeable grants, and that the lawful use of bond proceeds are wide, when they are very limited for only capital needs. These revenue sources should either be removed from the list or include qualifiers explaining their use and limitations.

Page 2, line 11: The reference to federal stimulus money should include reference to it being one-time in nature as in the graphic. Simply including the budget year does not clearly state that this funding was limited.

In budget year 2010-11, **NEW LANGUAGE BEGIN one-time END NEW LANGUAGE** federal stimulus money replaced $216 million of state formula funding.Page 3, lines 36: It is not clear from the language that the transfer of the 7.2 percent is replaced by

Curtis Hubbard, representing Colorado Commits to Kids (Cont.):

the transfer of the 43% of the income, sales, and excise tax revenue. This could mislead voters that there is a loss of education funding.

And **~~eliminates~~ replaces** the transfer of about 7.2 percent of income tax revenue to the State Education Fund **NEW LANGUAGE BEGIN with 43% of the income, sales, and excise tax revenue from the General Fund.**

Page 3, lines 40-41: the language singles out only one type of tax that is unchanged by the measure when there are several tax types that are unchanged such as property tax and sales tax. The other unchanged tax types should be added, or this sentence should be deleted.

Page 4, line 1: While the text and information in Table 1 are much improved around the issue of explain taxable income in comparison to gross income, there remains a need to directly state this fact. We suggest the addition as follows:

4.63 percent **BEGIN NEW LANGAUGE on taxable income, which is lower than a taxpayer's gross income as shown in Table 1. END NEW LANGUAGE**

Page 4, lines 3-7: as suggested earlier, we recommend the following language to more simply and clearly explain the two-step tax:

Beginning in tax year 2014, Amendment ? establishes a two-tiered income tax rate. **BEGIN NEW LANGUAGE Individuals with taxable income under $75,000 will pay 5.0%. Individuals with taxable income of more than $75,000 would pay 5.0% on their first $75,000, and then 5.9% on any taxable income above that amount.**

Page 4, at end of line 19 and Table 1: ADD NEW LANGUAGE
This section seeks to inform voters about the expected costs of the ballot initiative. However, we think it would give voters a better understanding of the impact of the tax increase if the text and table referenced the median taxable income in Colorado is $57,000 and results in approximately $133 annually. This is an important addition to the values currently listed in the table, and would be of significant help to voters in understanding the position of the median Coloradan.

Page 5, lines 12-13: revise reference to helping at-risk students to better clarify the purpose of providing principals greater control over budgets.

This is intended to **NEW LANGUAGE BEGIN help schools provide the individualized attention and resources needed to serve their students.**

Page 5, lines 13-15: while the description of the bill is greatly improved, there still needs to be a reference to the past reform laws funded by the bill. We recommend the following language:

Curtis Hubbard, representing Colorado Commits to Kids (Cont.):

It also supports recent education legislation that have redesigned Colorado's education system including, Senate Bill 08-212: Colorado's Achievement Plan for Kids; Senate Bill 09-163: The Education Accountability Act; Senate Bill 10-191: The Great Teachers and Great Leaders Act; and House Bill 12-1238: Colorado Reading to Ensure Academic Development Act (Colorado READ Act).

Page 5, lines 17-34: Reorder arguments 1 and 2.

We think this section reads better and more naturally if arguments 1 and 2 are swapped in position, so that the argument reading "One of the most important functions of government…" comes first. This argument is more education-related, and therefore more to the heart of the initiative. The other argument relates more to the economy and the state budget cuts, and therefore should be listed second.

Page 6, lines 14-19: To be factually accurate, this statement should say that the state has adequate resources to implement SB 213 ***for one year***. There is no evidence to suggest the state will have an additional $1 billion annually for the foreseeable future.

Page 6, lines 24-26: Remove the language that says our education system is increasingly costly. Education expenditures in Colorado have not even kept pace with inflation, much less outpaced it as demonstrated by Figure 1 on page 2 of the blue book. Although K-12 expenditures on a national scale have increased in real terms, that is not the case in Colorado.

Page 6, line 27-34: this argument is inaccurate in that it implies that the initiative is establishing a new system of using state revenues to support local schools. In fact, it has been a long-standing policy of the state to provide equalization dollars so that all local districts can pay for what is expected of them by state law and is not created new by this initiative. We recommend changing the word "subsidize", as used in line 34, to "support" to more appropriately describe the system as it exists. The measure is not changing the structure simply reprioritizing how funding flows.

Page 7, lines2-5: as suggested earlier, we recommend the following language to more simply and clearly explain the two-step tax:

Individuals with taxable income under $75,000 will pay 5.0%. Individuals with taxable income of more than $75,000 would pay 5.0% on their first $75,000, and then 5.9% on any taxable income above that amount. The state legislature may adjust this income threshold annually by inflation.

Dan Pilcher, representing the Colorado Association of Commerce and Industry:

Good morning.

I wanted to bring to your attention some concerns that we here at the Colorado Association of Commerce and Industry (CACI) have about how Initiative 22 is being

Last Draft Comments from Interested Parties

Dan Pilcher, representing the Colorado Association of Commerce and Industry (Cont.):

presented not only publicly by its proponents but also how it is described in the three *Bluebook* drafts to date, specifically as it pertains to the impact on businesses.

Proponents of Initiative 22 have touted the fact that the measure will not increase the corporate income tax, which is correct.

Initiative 22 says that the tax increase will apply to "individuals, estates and trusts."

But the measure, nonetheless, will have a discriminatory effect on the business community, especially small businesses, which should not be ignored in the debate about Initiative 22.

The reason is that a business owner who operates as a "sole proprietorship" or two or more business owners who operate as a "general partnership," "limited partnership," "limited liability company (LLC)" and "S Corporation" file their tax returns as individuals.

In addition, "limited liability partnerships" and "limited liability limited partnerships" will be taxed as partnerships unless they elect to be taxed as corporations. For more information on these types of businesses, read *The Colorado Business Resource Guide*.

Consequently, these businesses will not be excluded from the increase in the individual income tax rate that Initiative 22 will impose.

The projected impact of the proposal on these small businesses is not clear yet.

Patrick Pratt, representing the South Metro Denver Chamber:

Hello,
In Section 1 of the "Arguments Against" section, the Blue Book should mention that businesses registered as S-Corps (Colorado has more than 30,000 of them), LLCs, partnerships, and sole proprietors pay taxes at the same rate as individuals which will increase the burden on small business and hurt Colorado's economic competitiveness.

I've copied our President & CEO -- John Brackney, Vice-Chair of Public Policy -- Jeff Wasden, Chair-Elect of the Board -- Herm Brocksmith, and Chair of the Board -- Lisa D'Ambrosia as an FYI.

Thank you for your consideration

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August 13, 2013

Via Email: *schoolfunding@state.co.us*

Colorado General Assembly
Legislative Council
Room 029 State Capitol
Denver, CO 80203-1784

Re: Initiative 22

Dear Council Members:

Thanks again for the opportunity to comment on the proposed *Blue Book* language. We comment on behalf of Colorado's school boards. School boards are accountable to their local voters for school district budgets and student achievement.

I. We support many of the changes made in the third draft. However, we cannot support one change. In the first paragraph under "Summary and Analysis," this draft represents that, in addition to state and local revenues districts receive under the school finance funding formula, school districts "receive about $3.4 billion . . . including local revenue raised by districts, federal moneys, private grants, and bond proceeds." This statement may be technically correct as far as it goes. However, as it is now written, it is largely irrelevant to the issue to be decided by the voters this November. More importantly, without a great deal more explanation, this statement is so misleading it will unfairly prejudice some voters against this initiative. Some supporters may even claim this statement is a disguised and unacknowledged argument against Initiative 22.

A. Bond revenues are revenues borrowed from investors for the sole purpose of capital construction. Bond revenues may never, under any circumstances, be used for operations, teacher salaries, or any other instructional purpose. On the other hand, Initiative 22 and SB 13-213, which will be funded if Initiative 22 passes, will fund only operations, teacher salaries, and other instructional purposes. These revenues will not fund capital construction.

The need for new schools or other capital investments varies widely between districts. Some rapidly growing Front Range districts must ask district voters every few years for permission to sell more bonds to build more schools for their expanding student population. Other districts with stable student populations may go decades without selling a single bond. In a typical year, only 10 to 15 percent of Colorado school districts will hold bond elections, and some of those elections will fail.

Finally, to the extent education funding in Colorado is compared with funding in other states, we again mislead if we include bond revenues. States with stable or shrinking populations do not need to build many new schools. And most states, like Colorado, do not include bond revenues when they report school finance funding levels.

In summary, including revenues from bond sales in a number that purports to represent the operational funding received by school districts under the state's School Finance Act is at least misleading. It will also give opponents to this measure the credibility of a *Blue Book* cite when they use this inflated number to claim Colorado's per pupil funding under the School Finance Act is higher than it really is. Bond revenues must not be included in this "about $3.4 billion" of additional revenues.

B. Slightly more than half of Colorado's 178 school districts receive some local revenues to supplement what they receive under the funding formula. Most of the districts which do not receive such supplemental funding have little or no prospect of ever receiving approval from local voters for additional revenues.

Moreover, the amount of local revenues received by individual districts varies widely among the districts that have held successful elections. Some districts are at or near the maximum they may legally receive locally. Other districts, often because of low assessed property values in the district, have no prospect of raising amounts close to the statutory limit.

We have no objection to identifying locally approved revenues as a supplement to the formula amounts that districts receive. Unlike bond revenues, the purpose of these revenues is to supplement general fund budgets. However, it is misleading and wrong to include these revenues without explaining that many districts do not receive additional local revenues, and that the amount of money a district may raise locally varies widely as a result of variations in assessed property values between districts. This last point is particularly pertinent because one of the provisions in SB 13-213 would "equalize" a locally approved mill levy in districts with low assessed property values. It is likely that this provision in SB13-213 would permit districts which cannot now pass a local mill levy to have successful elections.

C. The inclusion of "private grants" here is confusing. Some districts have them; many do not. Most large school districts, especially districts with significant private wealth, have active private education foundations. Most small districts have neither the wealth nor the numbers to support such a foundation. Most small school districts also lack the staff resources to be active in the private grant universe. Finally, grants are almost always project-specific and carry the expectation that a school district will assume full responsibility for funding a project initiated with grant funds.

In summary, private grants are unavailable to many districts, are usually project- or program-specific, and are not an ongoing or reliable funding stream. There are a handful of exceptions to one or two of these observations--Denver Public Schools, for example, has done well in the private grant market in recent years--but in the vast majority of school districts, private grants do not significantly affect school district funding needs.

For all of the foregoing reasons, we recommend the private grant reference be dropped. However, if it remains, an explanation should be added to the effect that most districts receive little or no grant funding, that it is not an ongoing or reliable funding stream, and that grant funding can rarely be used to pay general and ongoing obligations of a district's general operating budget.

II. The First Argument Against is factually inaccurate. The State has adequate resources on hand to implement SB 13-213 for only one year, and doing so would almost completely deplete the State Education Fund. Furthermore, even if state revenues continue to grow robustly, if the legislature fully funds the implementation of SB 13-213 beyond one year, higher education and other state programs would necessarily continue to be grossly underfunded.

To argue, as this First Argument does, that SB 13-213 could be implemented beyond one year without harming other state programs is false. Moreover, without the mandate contained in Initiative 22 that new revenues may be spent only on education, it is also misleading to argue that the legislature would set as its first priority funding the implementation of SB 13-213, even if funding SB13-213 implementation is at the expense of restoring funding to other state programs that have been sharply cut over the last several years.

This First Argument, if it is to be included, should specify the State can spend education's rainy day fund to implement one year of SB 13-213, and thereafter implementation would require the State to cut or limit the growth of other state programs. We recommend it be eliminated.

III. The Third Argument Against remains inaccurate for the reasons set forth in our previous comments. For at least the last 25 years, Colorado's school finance system, as is the case with most state programs, has required local taxpayers in some communities to pay more than their local community will receive in aid from the state program. That is true under the current School Finance Act and it will be true if SB 13-213 is funded. This measure does not "create" a new inequity. It continues the long-standing state policy to use state revenues to backfill funding needs in local districts that do not have the local resources to fund the education programs required by state law for every student.

Once more, our position is that if this "argument" says more than that the taxpayers of a few school districts may pay more in taxes than the district will receive in new funding, it says too much. It should also clarify that this "inequity" is not a newly created policy, but one long followed in school finance to ensure a student's zip code does not determine the quality of the education received by Colorado's young men and women.

Sincerely,

Ken DeLay

Kenneth A. DeLay
Executive Director

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Initiative #22
Funding for Public Schools

Ballot Title: SHALL STATE TAXES BE INCREASED BY $950,100,000 ANNUALLY IN THE FIRST FULL FISCAL YEAR AND BY SUCH AMOUNTS AS ARE RAISED THEREAFTER BY AMENDMENTS TO THE COLORADO CONSTITUTION AND THE COLORADO REVISED STATUTES CONCERNING FUNDING FOR PRESCHOOL THROUGH TWELFTH-GRADE PUBLIC EDUCATION, AND, IN CONNECTION THEREWITH, INCREASING THE CURRENT STATE INCOME TAX RATE ON INDIVIDUALS, ESTATES, AND TRUSTS AND IMPOSING AN ADDITIONAL RATE SO HIGHER AMOUNTS OF INCOME ARE TAXED AT HIGHER RATES; REQUIRING THE RESULTING INCREASES IN TAX REVENUES BE SPENT ONLY FOR IMPROVEMENTS TO PRESCHOOL THROUGH TWELFTH-GRADE PUBLIC EDUCATION; ALLOWING ALL TAX REVENUES ATTRIBUTABLE TO THIS MEASURE TO BE COLLECTED AND SPENT WITHOUT FUTURE VOTER APPROVAL; REQUIRING AT LEAST 43% OF STATE SALES, EXCISE, AND INCOME TAX REVENUES BE DEPOSITED IN THE STATE EDUCATION FUND; AND REPEALING CERTAIN EXISTING PUBLIC EDUCATION FUNDING REQUIREMENTS?

Text of Measure:

Be it Enacted by the People of the State of Colorado:

SECTION 1. In the constitution of the state of Colorado, section 17 of article IX, **amend** (1), (2), and (4) and **add** (6), (7), and (8) as follows:

Section 17. Education – funding.

(1) Purpose. In state fiscal year 2001-2002 through state fiscal year 2010-2011, the statewide base per pupil funding, as defined by the Public School Finance Act of 1994, article 54 of title 22, Colorado Revised Statutes, on the effective date of this section, for public education from preschool through the twelfth grade and total state funding for all categorical programs shall grow annually at least by the rate of inflation plus an additional one percentage point. ~~In state fiscal year 2011-2012, and each fiscal year thereafter,~~ FOR STATE FISCAL YEARS 2011-2012 THROUGH 2013-2014, the statewide base per pupil funding for public education from preschool through the twelfth grade and total state funding for all categorical programs shall grow annually at a rate set by the general assembly that is at least equal to the rate of inflation.

(2) Definitions. (c) "INCOME TAX INCREMENT FOR PUBLIC SCHOOL FUNDING" MEANS THE INCOME TAX CHANGES APPROVED BY THE VOTERS AT THE

2013 GENERAL ELECTION FOR PRESCHOOL AND PUBLIC SCHOOL KINDERGARTEN THROUGH TWELFTH GRADE FUNDING.

(4) State education fund created. (a) There is hereby created in the department of the treasury the state education fund. Beginning on the effective date of this measure, AND THROUGH JUNE 30, 2014, all state revenues collected from a tax of one third of one percent on federal taxable income, as modified by law, of every individual, estate, trust and corporation, as defined in law, shall be deposited in the state education fund. Revenues generated from a tax of one third of one percent on federal taxable income, as modified by law, of every individual, estate, trust and corporation, as defined in law, shall not be subject to the limitation on fiscal year spending set forth in article X, section 20 of the Colorado constitution. BEGINNING IN STATE FISCAL YEAR 2014-2015, THE STATE EDUCATION FUND SHALL, AT A MINIMUM, RECEIVE FORTY-THREE PERCENT OF SALES, EXCISE, AND INCOME TAX REVENUE COLLECTED IN THE GENERAL FUND IN A MANNER AS TO EQUAL SUCH PERCENTAGE IN RELATION TO THE REVENUE GENERATED BY THE TAX RATES IN EFFECT ON DECEMBER 31, 2012 NET OF ANY REFUNDS REQUIRED BY SECTION 20, SUBSECTIONS (3)(c) AND (7) OF ARTICLE X OF THIS CONSTITUTION. All interest earned on monies in the state education fund shall be deposited in the state education fund and shall be used before any principal is depleted. Monies remaining in the state education fund at the end of any fiscal year shall remain in the fund and not revert to the general fund.

(6) STATE EDUCATIONAL ACHIEVEMENT FUND.

(a) THE STATE EDUCATIONAL ACHIEVEMENT FUND IS CREATED IN THE STATE TREASURY.

(b) THE DEPARTMENT OF REVENUE OR ITS SUCCESSOR AGENCY SHALL ANNUALLY DETERMINE THE AMOUNT OF THE INCOME TAX INCREMENT FOR PUBLIC SCHOOL FUNDING. SUCH AMOUNTS SHALL BE DEPOSITED IN THE STATE EDUCATIONAL ACHIEVEMENT FUND.

(c) THE STATE EDUCATIONAL ACHIEVEMENT FUND SHALL BE APPROPRIATED TO BENEFIT THE EDUCATION OF PARTICIPANTS IN PRESCHOOL PROGRAMS AND PUBLIC SCHOOL KINDERGARTEN THROUGH TWELFTH GRADE STUDENTS BY IMPLEMENTING EDUCATIONAL REFORMS AND PROGRAMMATIC ENHANCEMENTS, ENACTED BY THE COLORADO GENERAL ASSEMBLY.

(d) THE STATE EDUCATIONAL ACHIEVEMENT FUND SHALL BE AUDITED ANNUALLY BY THE STATE AUDITOR TO ENSURE COMPLIANCE WITH THIS ARTICLE. THE RESULTS OF SUCH AUDIT SHALL BE A PUBLIC DOCUMENT THAT IS TRANSMITTED TO THE GOVERNOR, THE PRESIDENT AND MINORITY LEADER OF THE SENATE, AND THE SPEAKER AND THE MINORITY LEADER OF THE HOUSE OF

REPRESENTATIVES. SUCH AUDIT SHALL BE CONSPICUOUSLY PLACED ON THE WEBSITES OF THE STATE AUDITOR AND THE COLORADO DEPARTMENT OF EDUCATION OR THEIR SUCCESSOR AGENCIES.

(e) ALL INTEREST EARNED ON MONIES IN THE STATE EDUCATIONAL ACHIEVEMENT FUND SHALL BE DEPOSITED IN THE STATE EDUCATIONAL ACHIEVEMENT FUND AND SHALL BE USED BEFORE ANY PRINCIPAL IS DEPLETED. MONIES REMAINING IN THE STATE EDUCATIONAL ACHIEVEMENT FUND AT THE END OF ANY FISCAL YEAR SHALL REMAIN IN THE FUND AND NOT REVERT OR BE TRANSFERRED TO THE GENERAL OR ANY OTHER FUND.

(7) NEW REVENUE TO SUPPLEMENT PREVIOUS YEAR EDUCATION FUNDING. REVENUES COLLECTED FROM THE INCOME TAX INCREMENT FOR PUBLIC SCHOOL FUNDING SHALL BE USED TO SUPPLEMENT REVENUES THAT WERE APPROPRIATED BY THE GENERAL ASSEMBLY IN THE PREVIOUS FISCAL YEAR FOR KINDERGARTEN THROUGH TWELFTH GRADE AND PRESCHOOL EDUCATION AND SHALL NOT BE USED TO SUPPLANT ANY PORTION OF THOSE PREVIOUSLY APPROPRIATED REVENUES.

(8) REVENUE AND SPENDING LIMITATIONS. ALL REVENUES ATTRIBUTABLE TO THE INCOME TAX INCREMENT FOR PUBLIC SCHOOL FUNDING OR OTHERWISE ADDRESSED BY SUBSECTION (6) SHALL BE COLLECTED AND SPENT AS VOTER-APPROVED REVENUE CHANGES WITHOUT REGARD TO ANY LIMITATION ON REVENUE, SPENDING, OR APPROPRIATIONS, CONTAINED IN SECTION 20 OF ARTICLE X OF THIS CONSTITUTION OR ANY OTHER LAW. SPENDING OF SUCH REVENUE, CONSISTENT WITH THE EXPRESSED INTENTION OF THE VOTERS AT THE 2013 ELECTION, SHALL REQUIRE NO ADDITIONAL VOTER APPROVAL AT ANY STATE OR LOCAL ELECTION.

SECTION 2. In the constitution of the state of Colorado, section 20 of article X, **amend** (8):

(8) Revenue limits. (a) New or increased transfer tax rates on real property are prohibited. No new state real property tax or local district income tax shall be imposed. Neither an income tax rate increase nor a new state definition of taxable income shall apply before the next tax year. Any income tax law change after July 1, 1992 shall also require all taxable net income to be taxed at one rate, excluding refund tax credits or voter-approved tax credits, with no added tax or surcharge; EXCEPT THAT MULTIPLE RATES SHALL APPLY TO TAXABLE NET INCOME OF INDIVIDUALS, TRUSTS, AND ESTATES, IF SPECIFIC RATE INCREASES IN EXCESS OF THE TAX RATE IN EFFECT ON THE DAY OF AN ELECTION ARE

APPROVED BY VOTERS FOR THE PURPOSE OF PROVIDING AN INCOME TAX INCREMENT FOR PUBLIC SCHOOL FUNDING.

SECTION 3. In Colorado Revised Statutes, 39-22-104, **amend** (1.7) as follows:

39-22-104. Income tax imposed on individuals, estates, and trusts – single rate – definitions – repeal. (1.7) Except as otherwise provided in section 39-22-627, subject to subsection (2) of this section, with respect to taxable years commencing on or after January 1, 2000, a tax of four and sixty-three one hundredths percent is imposed on the federal taxable income, as determined pursuant to section 63 of the internal revenue code, of every individual, estate, and trust. IN ADDITION TO THE TAX RATE AUTHORIZED IN THIS SUBSECTION ON FEDERAL TAXABLE INCOME OF INDIVIDUALS, ESTATES, AND TRUSTS, AN INCOME TAX INCREMENT FOR PUBLIC SCHOOL FUNDING SHALL BE IMPOSED ON THE FEDERAL TAXABLE INCOME OF SUCH TAXPAYERS:

(a) UP TO AND INCLUDING $75,000, AT THE RATE OF THIRTY-SEVEN ONE HUNDREDTHS PERCENT; AND

(b) OVER $75,000, AT THE RATE OF ONE AND TWENTY-SEVEN ONE HUNDREDTHS PERCENT.

THE GENERAL ASSEMBLY MAY ANNUALLY ADJUST THE INCOME THRESHOLDS FOR THE INCOME TAX INCREMENT FOR PUBLIC SCHOOL FUNDING FOR INFLATION FROM THE PREVIOUS YEAR.

SECTION 4. EFFECTIVE DATE. THESE VOTER-ENACTED PROVISIONS SHALL TAKE EFFECT ON JANUARY 1, 2014.